HD1761
C6
#51

APR 19

University of California
College of Agriculture
Agricultural Experiment Station
Berkeley, California

SUPPLEMENTARY REPORT ON THE LOS ANGELES MILK MARKET

by

J. M. Tinley

August, 1936

UNIVERSITY OF CALIFORNIA
LIBRARY
BRANCH OF THE
COLLEGE OF AGRICULTURE

Contribution from the
Giannini Foundation of Agricultural Economics
Mimeographed Report No. 51

Digitized by the Internet Archive
in 2014

https://archive.org/details/supplementaryrep51tinl

SUPPLEMENTARY REPORT ON THE

LOS ANGELES MILK MARKET

by

J. M. Tinley

On July 8, 1936, a statement was presented by the Giannini Foundation of Agricultural Economics, University of California, to the Director of Agriculture for the State of California, at a hearing on the Los Angeles milk market.[1] This statement indicated that economic conditions warranted a buying price for market milk in Los Angeles of at least 59 cents per pound of milk fat. This conclusion was arrived at on the basis of a comparison covering the period January, 1928, to April, 1936, of market milk prices in Los Angeles with (a) manufacturing milk and Grade A milk prices in Tulare County and wholesale prices of 92 score butter in Los Angeles; (b) wholesale feed prices; and (c) the trend of wages of farm labor in California.

Since April, 1936, however, several significant changes have taken place in prices of butter, manufacturing milk in Tulare, Grade A milk in Tulare, farm wages in California, and prices of feed, which appear to justify an increase in buying prices of market milk in Los Angeles above the 59 cents mentioned in the report.

Butter and Manufacturing Milk Prices.-- The average monthly wholesale price of 92 score butter in Los Angeles increased from 31 cents a pound in April, 1936, to 36 cents in July, and during the first ten days of August averaged 37.5 cents a pound. This represents an increase of 6.5 cents a pound of butter between April and the first days of August. Buying prices of manufacturing milk in Tulare County increased from 45.0 cents a pound of milk fat in April to 50.75 cents in July, 1936, an increase of 5.75 cents. If the price of 37.5 cents for butter is maintained for the balance of the month of August, buying prices of manufacturing milk will probably average around 52.0 cents a pound of milk fat, an increase since April of 7 cents. The buying price for Grade A milk in Tulare averages about 5 cents higher than that of manufacturing milk, and increased from 50.0 cents a pound of milk fat in April, 1936, to 55.75 in July, 1936. The averag buying price for Grade A milk during August will probably average around 57 cents a pound of milk fat (table 1).

General economic conditions influencing the supply and demand for butter in the United States indicate that wholesale prices of 92 score butter in Los Angeles will average over 35 cents during the balance of the current year.

Farm wages in California averaged $60.00 per month (without board) in January, 1936; $61.50 in April, 1936; and $65.00 in July, 1936,[2] an increase of $3.50 a month, or an increase of nearly 5.7 per cent. The trend of farm wages has been steadily upward since April, 1933. Indications are that the peak of farm wages has not yet been reached.

---

[1] Tinley, J. M. Price factors in the Los Angeles milk market. University of California, Giannini Foundation Mimeographed Report No. 48. 1936.

[2] U. S. Dept. Agr. Bur. Agr. Econ. Crops and Markets. July issue.

Feed Prices.-- The wholesale price of a composite feed ration in Los Angeles was $15.96 per ton in April, 1936; $17.49 per ton in July, 1936; and $18.78 per ton during the first ten days of August, 1936. This represents an increase between April and August, 1936, of $2.82 per ton, or an increase of nearly 12 per cent.

In April, 1936, a pound of market milk in Los Angeles would purchase 65.6 pounds of composite feed ration at wholesale prices; in July only 60.3 pounds. In August (first ten days) the buying power was 62.8 pounds in spite of the increase in buying price of market milk from 52.5 to 59.0 cents per pound of milk fat (table 2).

It seems improbable that feed prices will decline greatly during the balance of 1936 from the level reached in August.

Buying Prices for Market Milk.-- On the assumption that prices of feed, of wages, and prices of butter do not decline greatly below the levels reached in August, during the balance of the current year a buying price for market milk in Los Angeles of between 64 and 67 cents per pound of milk fat would appear to be economically justified.

TABLE 1

Wholesale Prices of 92 Score Butter at Los Angeles and
Buying Prices of Milk in Los Angeles and in Tulare County
(April, 1936-August 10, 1936)

1936	Market milk in Los Angeles	Manufacturing milk in Tulare	Grade A milk in Tulare	Butter in Los Angeles	Increase since April, 1936		
					Manufacturing milk in Tulare	Grade A milk in Tulare	Butter in Los Angeles
April	52.5	45.0	50.0	31.0	--	--	--
May	52.5	43.0	48.0	29.0	-2.0	-2.0	-2.0
June	52.5	45.5	50.5	30.0	+0.5	+0.5	+1.0
July	59.0	50.7	55.7	36.0	+5.7	+5.7	+5.0
August 1-10	59.0	52.0*	57.0*	37.0	+7.0	+7.0	+6.0

* Estimated.

Sources of data:

Cols. 1, 2, and 3: Based on data supplied by Martin H. Blank.

Col. 4: Federal-State Market News Service. Daily butter reports in Los Angeles.

TABLE 2

Buying Power of Market Milk in Terms of Feed

(April, 1936 to August, 1936)

1936	Buying price of milk fat in market milk at Los Angeles	Wholesale price of dairy feed at Los Angeles		Number of pounds of feed purchasable with one pound of milk fat (on wholesale basis)
	cents per pound	dollars per ton	cents per pound	pounds
April	52.5	15.91	0.80	65.6
May	52.5	15.96	0.80	65.6
June	52.5	16.01	0.80	65.6
July	52.5	17.49	0.87	60.3
August	59.0	18.78	0.94	62.8

Sources of data:

Col. 1: Table 1, col. 1.

Cols. 2 and 3: As in table 8 of Los Angeles report.

Col. 4: Col. 1 divided by col. 3.

TABLE 1

Wholesale Prices of 92 Score Butter at Los Angeles and Buying Prices of Milk in Los Angeles and in Tulare County (April, 1934-August 10, 1938)

1934	Market milk in Los Angeles	Manufacturing milk in Tulare	Grade A milk in Tulare	Butter in Los Angeles	Manufacturing milk in Tulare	Grade A milk in Tulare	Butter in Los Angeles
					Percent change April, 1934		
April	52.5	45.0	50.0	21.0	—	—	—
May	52.5	45.0	45.0	19.5	-2.0	-5.0	-2.0
June	52.5	45.5	50.5	20.0	+0.5	+0.5	+1.0
July	53.0	51.7	51.7	19.0	+5.7	+3.7	+5.0
August 1-10	53.0	52.0*	57.0*	17.0	+6.0	+7.0	+6.0

* Estimated.

Sources of data:

Cols. 1, 2, and 3: Based on data furnished by Martin A. Blank.

Col. 4: Federal-State Market News Service. Daily butter reports in Los Angeles.

TABLE 2

Supply-Price of Marketed Milk in Terms of Feed

(April, 1933 to August, 1938)

1934	Supply price of milk fat in market milk at Los Angeles	Wholesale price of dairy feed at Los Angeles		Number of pounds of feed equivalent with one pound of milk fat (on wholesale basis)
	cents per pound	dollars per ton	cents per pound	pounds
April	32.0	18.21	0.80	50.6
May	32.5	18.86	0.80	48.6
June	33.0	18.21	0.80	48.6
July	32.5	17.46	0.87	40.2
August	32.5	18.76	0.94	48.8

Sources of data:

Cols. 1: Table 1, cols. 1.

Cols. 2 and 3: As in table 4 of the same report.

Col. 4: Col. 1 divided by col. 3.